

Confidence in Operating Capabilities Rose More Than Near-Term Intrinsic Value

1 KEY RESULTS VS. CONSENSUS			
Metric	Reported	Consensus	vs. Cons.
Adjusted revenue (vs. year ago)	\$6.584B	\$6.318B	+4.2%
Diluted EPS (adjusted)	\$2.50	\$2.38	+5.0%
Adjusted operating margin	26.2%	25.2%	+4.0%
Operating cash flow	\$500M	\$1.55B	-67.7%

2 GUIDANCE AND OUTLOOK			
3M raised full-year 2026 adjusted EPS guidance to \$9.10-\$9.15, from \$8.95-\$9.10 restated onto the new reporting basis, and maintained adjusted total sales growth above 4.5% and organic growth above 3.5%. Adjusted operating cash flow is expected at approximately \$5.9 billion and adjusted free cash flow at approximately \$4.8 billion. Q4 organic growth is expected just above 4%. Management expressed confidence that 2027 operating margin will exceed 25.4%. Oil-related inflation assumption rose to approximately \$185 million; consumer-electronics pressure is expected to continue in Q4.			

3 | EARNINGS ANALYSIS

A REAL, NARROWER BEAT. Adjusted EPS of \$2.50 beat the \$2.38 consensus, but approximately \$0.04 reflected the new reporting basis; the comparable result of approximately \$2.46 implies a beat of roughly 3.4%. Adjusted operating income rose 8.9% to \$1.726 billion on 4.2% adjusted revenue growth, and operating margin expanded 110 basis points to 26.2%. The improvement was concentrated: Safety and Industrial added \$168 million of operating profit, exceeding the company's entire \$141 million increase, while Transportation and Electronics profit declined.

GROWTH QUALITY IS MIXED. Organic growth moderated to 3.3% from 5.4% in Q2, and second-half pricing of slightly more than 2 points leaves volume and mix materially below the headline rate. Orders rose approximately 7% and backlog entering Q4 increased approximately 18%, but the map diverged: U.S. and Canada organic growth of 6.8% offset a 7.3% decline in China, consumer electronics fell in the mid-teens, and consumer sell-in declined even as point-of-sale growth exceeded 2%.

CASH CONVERSION IS THE COUNTERWEIGHT. GAAP EPS rose 70% to \$2.63, but that growth substantially overstates operating improvement; the quarter included a \$0.60-per-share Solventum benefit. Adjusted free cash flow was \$1.197 billion, against only approximately \$230 million of operating cash flow less capital expenditure; the bridge to it included \$894 million of after-tax litigation and PFAS-exit payments. Year-to-date adjusted free cash flow was flat at \$3.086 billion despite 12% adjusted EPS growth, and the \$4.8 billion target requires approximately \$1.714 billion in Q4, about 33% above the prior-year quarter.

MARGIN CONFIDENCE IS RISING. Gross margin improved 230 basis points on productivity gains, and management stated there was no one-time benefit in the margin expansion. Confidence that 2027 operating margin will exceed 25.4% is the clearest forward signal. Amazon validated EBO commercially, but there are no volume commitments, and expected 2027 EBO revenue of \$80 million to \$100 million remains small. The quarter increased confidence in 3M's operating capabilities more than it increased near-term intrinsic value.

4 | KEY READ-THROUGHS

GSEO IS THE MOST DIRECT EXTERNAL BENEFICIARY, BUT ITS ECONOMICS ARE NOT EQUIVALENT TO 3M'S SALES OPPORTUNITY
Genius Electronic Optical (3406: Taiwan) | Positive | High strategic relevance; limited immediate earnings contribution
3M announced a contract-manufacturing agreement with GSEO and an approximately 4.7% equity investment. Internal capacity would exceed approximately 10 million ferrules, while GSEO could manufacture multiples more per month. 3M expects approximately \$40 million in 2026 and \$80 million to \$100 million in 2027; that revenue is 3M's, not GSEO's.

POWER CONNECTIONS OFFER A MORE IMMEDIATE READ-THROUGH THAN THE OPTICAL HEADLINE
Hubbell (HUBB), Eaton (ETN) | Positive | Moderate for relevant electrical businesses
3M expects approximately \$700 million of data-center revenue in 2026 versus approximately \$550 million in 2025, most of it outside the rack. Electrical Markets grew at a double-digit rate, including medium-voltage connections, with strength expected into 2027. EBO is only approximately 6% of that revenue, so the corroboration favors electrical infrastructure being installed.

LCD-RELATED DEMAND IS WEAKENING EVEN AS AI INFRASTRUCTURE ACCELERATES
Innolux (3481: Taiwan), AUO (2409: Taiwan) | Negative | Moderate at the exposed business level
3M's consumer-electronics business declined in the mid-teens, and management expects continued pressure in Q4. Brown named LCD displays and Chinese OEMs as the weak areas, and China declined in the high-single digits on consumer-electronics weakness. That signals lower panel utilization and price pressure, although approximately 70% of 3M's consumer-electronics business serves premium manufacturers doing better.

PFAS REMAINS A CLAIM ON CASH, EVEN WHEN EXCLUDED FROM ADJUSTED EARNINGS
Chemours (CC), DuPont (DD) | Negative | Potentially material for equity value and capital allocation
3M is working with a mediator on AFFF personal-injury claims, no amount or date disclosed. Adjusted free cash flow was approximately \$1.2 billion against approximately \$230 million of operating cash flow less capital expenditure, dominated by litigation and PFAS-exit payments. Peers' obligations include a \$455 million North Carolina settlement over 15 years.